CIA/OER/S-06628-76 THE EC IMPORT DEMAND FOR US CORN, 1974/75 CONF

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CIA/OER/S-06628-74

20 November 1974

MEMORANDUM FOR: Mr. J. Foster Collins
Deputy for USIV Matters in
Special Support
Department of the Treasury

SUBJECT : The EC Import Demand for US Corn, 1974/75

1. Attached is the paper you requested on the EC grain situation. Our estimates at this time are very preliminary. Much will depend on the ability of the EC to establish effective central control and monitoring of import licenses for corn. We will continue to follow developments closely and provide further information to you as the situation further unfolds.

2. Please call [redacted] on 143-5868 if you have any specific questions on this study. 25X1A

25X1A [redacted]

Chief
Agriculture and Materials Branch
Office of Economic Research

Attachment:
As stated

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[redacted]

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The EC Import Demand for US Corn, 1974/75

Office of Economic Research
Agriculture and Materials Br.
20 November 1974

The EC Import Demand for US Corn, 1974/75

The 1974/75 corn import requirements for the EC are still very uncertain. While USDA, EC Commission and individual country estimates of 1974 grain production and total usage are in general agreement, those for imports of corn and exports of wheat show significant differences. The discrepancies center around the degree to which domestically produced soft wheat will displace imported corn in livestock feeding. Most sources estimate that the total amount of grain fed in 1974/75 will decline by 2% or less. Whether EC imports of US corn drop as low as 7 million tons, as forecast by USDA and agreed to by Lardinois, will depend on what action the EC takes to limit and control imports. US brokers already have contracted to ship 14 million tons of corn to EC countries.

We conclude the EC could hold US corn imports to 7.0 - 7.5 million tons provided that: (1) soft wheat exports do not exceed 6 million tons; (2) feed use of wheat is up by 2 million tons over 1973/74; and (3) there is no increase in stocks.

Domestic Grain Supplies

Total grain production in the EC is estimated at 106 million tons, an increase of about 1.3% over 1973 (see Table 1). Total feedgrain production (corn, barley, sorghum, and oats) is reportedly down by 2.5% to 61.7 million tons, while wheat production is up 7.0% to a record 44.3 million tons. Feedgrain acreage in 1973/74 was up 44,000 hectares but yields per hectare were off from 40.7 quintals in 1973 to 39.5 in 1974. Barley production is estimated to be down by less than 1%; corn production is down by about 9% to 14.6 million tons due to a late drought.

Beginning grain stocks in the EC as of 1 August 1974 were above the previous year's level by 1 million tons with 900,000 tons of the increase in wheat. The combination of increased stocks and production provides the EC with 2.3 million tons more grain than in 1973/74. However, the distribution of the increased domestic supply has changed -- 4.0 million tons more wheat and 1.7 million tons less feedgrains.

Domestic Grain Consumption

Total grain consumption in the EC is projected by USDA to be down 1/2 million tons in 1974/75 to 116.4 million tons (see Table 2). They estimate that food and industrial use will be up 1.5% - 700,000 tons - to 46.2 million tons. On the other hand, grain fed to livestock is estimated to be 1.7% or 1.2 million tons below 1973/74 to 70.2 million tons. The results of a USDA survey in October of intended feed use in individual

EC countries also indicates that feed use will decline by about 2.0% or 1.4 million tons (Table 3). The EC Commission has estimated that soft wheat, corn, and barley fed to livestock will decrease by 800,000 tons from the 1973/74 level. A shortfall of an additional 500,000 tons of other feedgrain -- oats and sorghum -- is projected.

We believe that both USDA and EC estimates of a decline in total grain fed of 1.2 to 1.4 million tons are realistic, even through total animal units in the EC probably will be up slightly in 1974/75. It is probable that animals will be slaughtered at lighter weights and more protein meal will be substituted for grain in the feeding rations.

Import Requirements

The latest (25 October) EC Commission estimates place total corn import requirements from third countries at 8.8 million tons while estimates of individual EC countries total 11.2 million tons (see Table 4). Both sources show only minor differences for third country imports of wheat and barley. The major reason for the difference between the two sets of corn import estimates revolves around the amount of wheat that will be fed. The Commission forecasts 3.3 million tons more wheat rather than corn will be fed to livestock than reported by the individual countries.

In examining the EC Commission data our first problem was with the 1974/75 beginning stocks for both wheat and corn. In each case beginning stocks are above 1973/74 ending stocks. Lacking an explanation for the discrepancy, we have adjusted stocks in the CIA balance downward to correspond to the previous year's ending stocks. We also have accepted the EC Commission estimates of wheat production, imports and domestic use. This results in an exportable surplus of 5.8 million tons rather than 6.5 million tons of wheat projected by the EC. We agree with the EC forecast that 16.3 million tons of soft wheat will be fed to livestock, 2.2 million tons more than last year. The increase appears reasonable in view of the relative prices of wheat and corn. The Commission through export licensing and taxes, however, will have to hold wheat exports under 6 million tons.

Since we lack data on all the separate grains from a single source, we have used the EC Commission estimates for soft wheat, barley, and corn to estimate the EC corn import demand. A total of 62.7 million tons of these grains was fed to livestock in 1973/74. The Commission estimates that 61.9 million tons will be fed in 1974/75. In addition,we estimate that 500,000 tons less sorghum will be imported. Based on the EC official estimates of 16.3 million tons of wheat and 26.7

million tons of barley fed to livestock another 18.9 million tons of corn would be needed (see Table 4). An additional 4.8 million tons of corn for food and industrial use and 700,000 tons for exports raises total corn requirements for 1974/75 to 24.4 million tons. With production at 14.6 million tons and assuming a .2 million ton stock drawdown, a minimum of 9.6 million tons of corn must be imported. This compares with USDA's estimate of about 10 million tons. We believe that both estimates are more realistic than the 8.8 million ton estimate of the Commission.

Demand for US Corn

The USDA estimates that the EC should only need 7 million tons of US corn out of a 9.6 to 10 million ton import requirement, and we agree. Information on EC imports from other sources indicate commitments so far of about 1.8 million tons of corn -- .8 million tons from Argentina and 1.0 million tons from South Africa. Additional imports from Argentina are expected.

US grain brokers report 14 million tons of corn destined for the EC, double the amount Lardinois and USDA officials agreed should move. Although these data are undoubtedly inflated as a hedge against export controls, the extent is not known. A relatively large amount of this corn could be transhipped to other Western and East European countries. Such sales would not have to be cleared by brokers with USDA under the "voluntary" reporting system now in effect.

These estimates are predicated on the assumption that the EC Commission will take action to formally establish central control and monitoring of import licenses for corn. Also, while the EC's decreased corn imports will relieve pressure on the corn market, it will decrease the amount of wheat available for export. This action in combination with reduced export prospects in Canada and Argentina could make the world wheat situation much tighter.

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Table 1

Grain Production and Beginning Stocks in the EC
(million metric tons)

	Production		Beginning Stocks		Domestic Supply	
	1973/74	1974/75	1973/74	1974/75	1973/74	1974/75
Wheat	41.4	44.3	5.6	6.7	47.0	51.0
Feedgrains	63.3	61.7	6.7	6.6	70.0	68.3
Total Grain	104.7	106.0	12.3	13.3	117.0	119.3

Source: USDA/FAS, Supply and Distribution estimates, 10/31/74, Unpublished.

Table 2

USDA: Grain Consumption in the EC[a]
(million metric tons)

	Food & Industrial		Feed		Total	
	1973/74	1974/75	1973/74	1974/75	1973/74	1974/75
Wheat	28.6	29.0	11.6	14.6	40.2	43.6
Feedgrains	16.9	17.2	59.8	55.6	76.7	72.8
Total Grain	45.5	46.2	71.4	70.2	116.9	116.4

a/ USDA/FAS, Supply and Distribution estimates, 10/31/74, Unpublished.

Table 3

Grain-Feed Use in Surveyed Countries

	1973-74	1974-75	Change from 1973-74	Percent Change
	---Million	Metric	tons---	%
Belux	3.2	3.2	None	None
Denmark	5.8	5.7	-0.1	-2.0
France	16.5	16.5	None	None
West Germany	17.1	17.1	None	None
Italy	11.1	10.5	-0.6	-5.4
Netherlands	3.9	3.6	-0.3	-7.7
United Kingdom	12.5	12.1	-0.4	-3.2
Total EEC	70.1	68.7	-1.4	-2.0

Source: USDA, Unpublished, 11/1/74. Based on results of field survey by FAS personnel early October.

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Table 4

Alternative Estimates of EC Grain Balance for 1974/75

(million Metric tons)

	1973/74 b/	1974/75 EC Comm.	1974/75 Countries b/	1974/75 CIA
Soft Wheat				
Beginning Stocks	4.4	5.7	5.7	5.0
Production	36.2	40.6	40.6	40.6
Imports	4.0	3.8	4.2	3.8
Total supply	46.6	50.1	50.5	49.4
Food and Industrial use	22.1	22.7	22.7	22.7
Fed on farms	7.6	7.3	7.3	7.3
Commercial feed	6.5	9.0	5.7	9.0
Total use	36.2	39.0	35.7	39.0
Exports	5.4	6.5	8.0	5.8
Ending Stocks	5.0	4.6	6.8	4.6
Barley				
Beginning Stocks	1.6	1.6	1.6	1.7
Production	34.1	33.8	33.8	33.8
Imports	1.5	1.7	1.7	1.7
Total supply	37.2	37.1	37.1	37.2
Food and Industrial use	7.3	7.8	7.8	7.8
Fed on Farms	15.1	15.5	15.5	15.5
Commercial feed	11.4	11.2	11.2	11.2
Total use	33.8	34.5	34.5	34.5
Exports	1.7	1.1	1.1	1.1
Ending Stocks	1.7	1.5	1.5	1.6

	1973/74	1974/75 EC. Comm a/	1974/75 Countries b/	1974/75 CIA
Corn				
Beginning Stocks	2.6	2.7	2.7	2.5
Production	16.1	14.6	14.6	14.6
Imports	11.4	8.8	11.2	9.6
Total supply	30.1	26.1	28.5	26.7
Food and Industrial use	4.8	4.8	4.8	4.8
Fed on farms	4.2	3.6	3.6	3.6
Commercial feed	17.9	15.3	17.6	15.3
Total use	26.9	23.7	26.0	23.7
Exports	.7	.7	.7	.7
Ending Stocks	2.5	1.7	1.8	2.3
Total				
Beginning Stocks	8.6	10.0	10.0	9.2
Production	88.4	89.0	89.0	89.0
Imports	16.9	14.3	17.1	15.1
Total supply	113.9	113.3	116.1	113.3
Food and Industrial use	34.2	35.3	35.3	35.3
Fed on Farms	26.9	26.4	26.4	26.4
Commercial feed	35.8	35.5	34.5	35.5
Total use	96.9	97.2	96.2	97.2
Exports	7.8	8.3	9.8	7.6
Ending Stocks	9.2	7.8	10.1	8.5

a/ EC Commission estimates: State, Brussels, 8396, 25 Oct. 74

b/ Reported by individual countries, State, Hague, 5223, 25 Oct. 74

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